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**MAPLEX** MANAGEMENT & HOLDINGS LIMITED



# OFFICERS AND DIRECTORS

## Maplex Management & Holdings Limited

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### OFFICERS

**S. R. Bernardo**, President, Weston

**R. S. Mills, Q.C.**, Secretary, Toronto

**C. A. Blair**, Treasurer & Chief Financial Officer, Simcoe

### DIRECTORS

**D. M. Alloway**,  
Toronto

**S. R. Bernardo**,  
Weston

**C. A. Blair**,  
Simcoe

**S. M. Fletcher**,  
Hamilton

**R. G. Groom, Q.C.**,  
Tillsonburg

**R. S. Mills, Q.C.**,  
Toronto

**G. C. Noble**,  
Toronto

### 3 Year Financial Highlights

	<u>1974</u>	<u>1973</u>	<u>1972</u>
Total Assets (000)	\$ 6,035	\$ 5,545	\$ 5,121
Gross Incomes (000)	4,113	3,501	3,321
Net Earnings (000)			
Before extraordinary item	189	183	138
After extraordinary item	189	261	179
Earnings per Share			
Before extraordinary item	0.47	0.48	0.68
After extraordinary item	0.47	0.68	0.88
Shares Outstanding at Year-end	404,368	405,368	362,620
Net Worth at Book Value	4.92	4.56	4.05



# REPORT OF PRESIDENT

to the Shareholders of Maplex Management & Holdings Limited

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It is a pleasure to report the result of your company at this the third Annual General Meeting of Shareholders.

Consolidated earnings for the year ended December 31, 1974 (1973) after minority interest were \$189,276 (\$183,704). This amounts to 47c per share compared with 48c per share earned in 1973 when an extraordinary item increased the total earnings to 68c per share.

While Abstainers' and Trans-Canada are reported on separately in this Annual Report, I can not refrain from commenting on the fact that Abstainers' Insurance achieved an underwriting profit during 1974, which will in all probability go down in history as the most unprofitable year to date for the automobile insurance business in both Canada and the United States.

During 1974, the McCaul Agencies acquired the business of Archie F. McGown Insurance Agency in Metropolitan Toronto, and is investigating the possibility of adding further agencies to its operations. This investment has more than met the expectations of profitability and growth mentioned in my remarks last year.

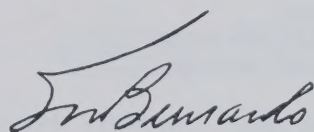
Your Board has authorized making a share exchange offer to the balance of minority shareholders of Abstainers' Insurance Company, who hold as a group 5,743 shares, representing approximately 4.54% of the outstanding common shares of Abstainers'. The Offer was mailed to all Abstainers' common shareholders on February 13, together with Abstainers' Annual Report and Financial Statements. This action was taken in order to assist those shareholders who did not accept the original offer made in March of 1972 when Maplex acquired 120,871 of the outstanding 126,614 common shares of Abstainers' in a three-for-one share exchange offer. Some shareholders did not realize at the time the possibility of being left as minority shareholders in a security for which

there is no public market, and have subsequently expressed the interest of disposing of or exchanging their shares for those of Maplex. Accordingly your Board has acted in response to these requests.

At this time, I would like to say something about the price of the shares of Maplex, and the level of values generally on Stock Exchanges in North America and elsewhere. During periods of inflation and unstable financial conditions prevailing in most of the world, it is not surprising that security prices on the major stock exchanges reflect the human emotions brought on by a bewildered public. At the same time, we must recognize value in securities, because share ownership is a way of life in North America, and is not going to change. When values decline in periods of international tension and emotional pessimism, so do they rise when economic conditions brighten and confidence is restored. We wish to emphasize that the real value of Maplex is well in excess of depressed prices reached at year end.

It has been the policy of your board to increase the distribution of dividends as earnings have permitted. As evidence of this trend, dividends have increased each year since the initial dividend of 9c was paid in 1972, to 10c in 1973, to 11c in 1974, and the indicated rate of dividend for 1975 based on the semi-annual dividend of 6c declared at the Meeting of the Board on January 31, payable to shareholders on April 30, is 12c per share. This represents a 24% payout of consolidated earnings of 47c per share reported by Maplex in 1974.

In closing, I would again state that your Board is responsive to the interests of the company's shareholders, and we welcome constructive thoughts and suggestions from shareholders.

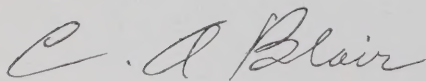


President.

# CONSOLIDATED BALANCE SHEET

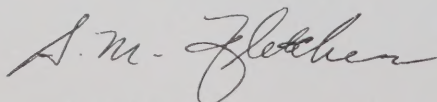
Maplex Management & Holdings Limited  
as at December 31, 1974

	1974	1973 (Restated)
<b>ASSETS</b>		
Cash	\$ 115,639	\$ 252,698
Trust funds	73,500	65,000
Accounts receivable	84,356	85,392
Accrued interest on investments	85,144	71,466
Marketable securities, at market value which is lower than cost	62,145	124,444
Prepaid expenses	1,244	1,263
Investments (note 2)	5,315,507	4,728,845
Fixed assets		
Land	\$15,000	
Building	60,000	
Furniture and equipment	8,283	
Automobiles	14,547	
	<u>97,830</u>	
Less accumulated depreciation	10,609	87,221
Organization expense, at cost less accumulated amortization of \$3,750 (1973 — \$2,500)	2,488	3,738
Goodwill (note 1)	208,284	208,284
	<u>\$6,035,528</u>	<u>5,545,194</u>
<b>LIABILITIES</b>		
Bank indebtedness (note 3)	\$ 283,000	239,605
Accounts payable and accrued liabilities	114,552	156,745
Provision for unsettled claims and adjusting costs	1,589,313	1,562,456
Unearned premiums at 85%	1,557,711	1,354,535
Income taxes (note 4)	103,150	48,000
Mortgages payable (note 5)	74,000	—
	<u>3,721,726</u>	<u>3,361,341</u>
Minority interests	325,332	334,210
	<u>4,047,058</u>	<u>3,695,551</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		
Authorized		
2,000,000 common shares of no par value		
Issued		
424,085 shares	1,560,082	1,560,082
Retained earnings	501,219	358,592
	<u>2,061,301</u>	<u>1,918,674</u>
Less cost of company's shares held by subsidiary (1974, 19,717 shares; 1973, 18,717 shares)	72,831	69,031
	<u>1,988,470</u>	<u>1,849,643</u>
Signed on behalf of the Board:	<u>\$6,035,528</u>	<u>5,545,194</u>



Director

C. A. Blair



Director

S. M. Fletcher



# CONSOLIDATED STATEMENT OF EARNINGS

Maplex Management & Holdings Limited  
for the year ended December 31, 1974

	<u>1974</u>	<u>1973</u> (Restated)
<b>INCOME</b>		
Premiums earned — net	\$3,639,509	2,996,843
Income from investments	351,230	289,381
Gain on sale of securities	2,502	102,157
Gain on sale and repurchase of units	7,114	43,777
Management fees	86,575	42,234
Commissions	22,046	27,081
Rental	4,400	—
	<u>4,113,376</u>	<u>3,501,473</u>
<b>EXPENSE</b>		
Claims	2,340,520	1,927,345
Salaries and commissions	943,067	805,263
Other	477,616	408,730
	<u>3,761,203</u>	<u>3,141,338</u>
Earnings before undernoted items	352,173	360,135
Provision for decline in market value of short term marketable securities	22,719	46,527
	<u>329,454</u>	<u>313,608</u>
Provision for income taxes — current (note 4)	147,000	123,291
	<u>182,454</u>	<u>190,317</u>
Minority interests share of earnings	3,708	7,413
	<u>178,746</u>	<u>182,904</u>
Share of earnings of William E. McCaul Insurance Agencies Limited (note 1)	10,530	800
	<u>189,276</u>	<u>183,704</u>
Extraordinary item — reduction in income tax provision due to losses carried forward from prior years	—	78,000
<b>NET EARNINGS</b>	<u>\$ 189,276</u>	<u>261,704</u>

## EARNINGS PER SHARE

Based upon the weighted average of shares outstanding  
during the year:

Before extraordinary item	\$ .47	.48
After extraordinary item	\$ .47	.68

# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	1974	1973 (Restated)
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>		
As previously reported	\$ 367,355	139,297
Adjustment of minority interest	8,763	—
As restated	358,592	139,297
Net earnings for the year	189,276	261,704
	547,868	401,001
Dividends paid	46,649	42,409
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$ 501,219</u>	<u>358,592</u>

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1974	1973 (Restated)
<b>FUNDS DERIVED FROM</b>		
Net earnings	\$ 189,276	261,704
Common shares issued	—	230,494
	189,276	492,198
<b>FUNDS APPLIED TO</b>		
Dividends paid	46,649	42,409
Increase in shares held by subsidiary	3,800	69,031
	50,449	111,440
<b>INCREASE IN NET ASSETS</b>	<u>\$ 138,827</u>	<u>380,758</u>

## AUDITORS' REPORT

Thorne  
Riddell  
& Co.

Thorne Gunn & Co.  
Riddell, Stead & Co.

CHARTERED ACCOUNTANTS

To The Shareholders  
Maplex Management & Holdings Limited

We have examined the consolidated balance sheet of Maplex Management & Holdings Limited as at December 31, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with accounting principles described in note 1 applied on a basis consistent with that of the preceding year.

Toronto, Canada  
January 17, 1975

*Riddell Stead & Co.*  
CHARTERED ACCOUNTANTS



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Maplex Management and Holdings Limited as at December 31, 1974

## 1. ACCOUNTING POLICIES

### (a) Basis of Consolidation

The consolidated financial statements include the accounts of Maplex Management & Holdings Limited, its 95.4% owned subsidiary Abstainers' Insurance Company and its 68.2% owned subsidiary Trans-Canada Investment Corporation Limited. The excess of the cost of the shares over the assigned values of the net assets acquired has been reflected upon consolidation as goodwill. In the opinion of management no diminution of value has occurred and therefore there has been no amortization of goodwill.

The accounts of Abstainers' are presented in accordance with accounting principles and practices in compliance with the insurance laws of Canada.

The accounts of Maplex and Trans-Canada are presented in accordance with generally accepted accounting principles.

The contribution of the companies to consolidated net earnings is as follows:

	Net Earnings For Year	Minority Interest	Consolidated Net Earnings
Abstainers' Insurance Company	\$231,300	20,038	211,262
Trans-Canada Investment Corporation Limited	( 51,437)	(16,330)	( 35,107)
Maplex Management & Holdings Limited	2,591	—	2,591
	<u>\$182,454</u>	<u>3,708</u>	<u>178,746</u>
William E. McCaul Insurance Agencies Limited			10,530
			<u>\$189,276</u>

### (b) Depreciation

The company is using the following rates of depreciation annually on the declining asset balances:

Building	— 5%
Furniture and fixtures	— 20%
Automobiles	— 30%

### (c) 1973 figures have been restated to reflect an adjustment of minority interests.

## 2. INVESTMENTS

	1974	1973
Equity in securities held by Trustee for Trans-Canada and Special Series trust certificates, at cost (quoted market 1974 — \$113,902; 1973 — \$113,315)	\$ 111,566	110,599
Marketable securities, at cost (quoted market value 1974 — \$4,230,492; 1973 — \$4,473,177)	5,143,611	4,568,446
William E. McCaul Insurance Agencies Limited — 49% of the outstanding shares at cost plus share of earnings since acquisition	60,330	49,800
	<u>\$5,315,507</u>	<u>4,728,845</u>

## 3. BANK INDEBTEDNESS

The bank indebtedness is secured as to \$100,000 by Maplex's investment in Trans-Canada shares, and as to \$183,000 by Trans-Canada's marketable securities and equity in other securities which are held by a trustee.

## 4. INCOME TAXES

Abstainers' taxable income for the current year and prior years has been increased or decreased by the deductions of unearned premiums in excess of or less than the provisions recorded in the accounts. The accumulated amount of deferred income taxes not recorded as a liability, resulting from the claiming of the net excess for tax purposes is \$137,500. The effect upon 1974 consolidated net earnings is a reduction in taxes otherwise payable of \$14,500 (1973 — \$11,400).

## 5. MORTGAGES PAYABLE

The company has two mortgages payable; the first mortgage is \$50,000 at 11% for five years with interest payable quarterly, the second mortgage is for \$24,000 at 12% payable \$1,000 principal plus interest half-yearly due June 1, 1979.

## 6. REMUNERATION OF DIRECTORS AND OFFICERS

Information pursuant to Section 122.2 of the Canada Corporations Act for the year ended December 31, 1974:

	Maplex	Abstainers'	Trans-Canada
Number of directors	7	9	4
Aggregate remuneration as directors	\$5,650	9,075	3,500
Number of officers	3	6	3
Aggregate remuneration as officers	\$ Nil	23,500	22,000
Number of officers who are directors	3	2	3

## GENERAL MANAGER'S REPORT

to the Shareholders of Maplex Management & Holdings Limited on the operation of Abstainers' Insurance Company for the year ended December 31, 1974

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The company experienced a satisfactory growth rate in 1974 of 17% in premiums written, and a 10% real growth in numbers of policies. As of December 31, 1974, the company had over 40,000 policies in force, with 13% of this volume being written in the Province of Alberta and the balance in the Province of Ontario.

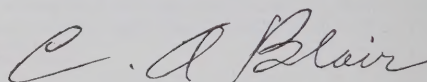
Two major problems faced the Fire and Casualty Insurance Business during 1974. First was the effect of very rapid inflation on the cost of claims, as well as operating costs. The second major problem was the substantial decrease in the market value of securities held in insurance company portfolios worldwide. To counteract the effect of inflation on claims, your company undertook to substantially decrease the number of claims outstanding by the end of 1974, and succeeded in reducing the total number by 22% from the end of December, 1973. This was accomplished largely through the efforts of our own claims staff. We now have less than 1,000 claims outstanding, in comparison to over 1,200 last year, of which 175 occurred prior to the end of 1973. Approximately 80% of the 4,718 claims reported in 1974 were settled by year end. In spite of having reduced the number of claims outstanding by 22%, we still have approximately the same dollar reserve for outstanding claims at December 31, 1974, compared with December 31, 1973. Because of these factors, both claims and earned premiums increased by 21%, maintaining the same loss ratio in 1974 at 64%, identical to that of 1973.

Due to the high rate of inflation, it was necessary to increase salaries substantially in 1974, but with a 17% increase in volume we were able to hold our expense ratio at the same as 1973. This resulted in a modest underwriting profit of \$30,000, which while slightly less than 1% of the earned premiums, in a year when the General Insurance Business in Canada is predicting an underwriting loss in excess of \$200,000,000, we are certainly fortunate to have an underwriting profit at all.

Our investment portfolio has increased by half a million dollars in book value, to over \$5,000,000. The market value of the investments was \$913,692 below cost, a decline of 18%. Our investment in common and preferred shares accounted for \$315,808 of this amount, and is shown in our financial statement as an unadmitted asset.

Reinsurance costs were reduced for 1974 by \$87,000, chiefly due to credits received for the previous year. No reinsurance losses have yet been reported for 1973. This amount went directly into earned premiums and profits. There will be no recurrence of this factor in 1975.

Any improvement in the securities market in 1975 should strengthen your company's position in the current year.



President &  
Managing Director

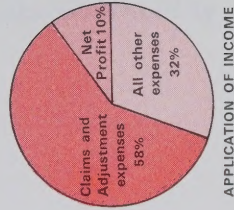
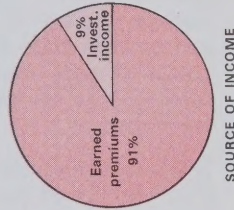
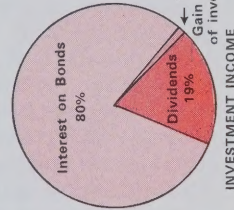


# ABSTAINERS' INSURANCE COMPANY

(in thousands except per share amounts and percentages)

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Gross Premiums Written	3,951	3,377	2,967	3,023	3,152	3,048	2,496	2,038	1,479	980
Reinsurance	109	197	208	152	164	180	131	79	44	39
Net Premiums Written	3,842	3,180	2,759	2,871	2,988	2,868	2,365	1,959	1,435	941
Premiums Earned (1)	3,639	2,997	2,704	2,893	2,945	2,696	2,199	1,756	1,265	799
Claims & Adjusting Expenses	2,340	1,927	1,889	1,970	2,587	2,179	1,411	961	775	511
General Expenses	1,269	1,069	966	921	936	830	706	542	391	255
Underwriting Profit (Loss)	30	1	(150)	3	(578)	(313)	82	254	98	33
Investment Income	344	278	264	254	230	181	132	101	64	40
Gain on Sale of Investments	4	93	198	5	2	198	100	4	5	24
Net Profit Before Tax	378	372	312	257	(346)	67	314	359	167	97
Income Taxes	147	48	none	1	2	(56)	61	141	51	6
Net Profit	231	324	312	256	(348)	123	253	218	116	91
Preferred Dividends Paid	10	10	10	10	10	10	10	10	10	9
Common Earnings (1)	221	314	302	246	(358)	113	243	208	106	83
—per share (1)	\$1.75	2.48	2.38	1.94	(2.83)	.90	1.92	1.66	1.27	1.29
Common Dividends	32	32	32	32	32	32	22	13	2	
—per share	.25	.25	.25	.25	.25	.25	.175	.125	.025	
Equity per share (1) (2)	14.77	13.28	11.05	8.78	4.90	7.88	11.21	7.83	3.84	2.68
Industry Loss Ratio	Not Available	72.6%	69.4%	67.5%	70.8%	73.9%	67.5%	64.4%	67.0%	69.7%
Company Loss Ratio	64.3%	64.3%	69.9%	68.1%	87.9%	80.8%	64.2%	54.7%	61.3%	64.0%
Company Expense Ratio	34.9%	35.6%	35.7%	32.0%	31.3%	28.9%	29.8%	27.7%	27.3%	27.1%
Company Combined Ratio	99.2%	99.9%	105.6%	100.1%	119.2%	109.7%	94.0%	82.4%	88.6%	91.1%
Shares Outstanding (2)	127	127	127	127	127	127	127	125	90	64

- (1) In 1966 the Company began carrying Unearned Premiums at 85% as opposed to 80% in previous years. As a result of this change to more conservative accounting procedures, Net Premiums earned and Underwriting Profit were reduced by \$9,886 in 1966 or 11 cents per share before taxes, and estimated equity per share was reduced by 36 cents.
- (2) Shares Outstanding has been adjusted for a 2 for 1 stock split in 1968, a 50 for 1 stock split in 1966, and a rights issue in 1965.



SOURCE OF INCOME

APPLICATION OF INCOME

## **GENERAL MANAGER'S REPORT**

**to the Shareholders of Maplex Management & Holdings Limited on the operation of Trans-Canada Investment Corporation for the year ended December 31, 1974**

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1974 was a most unprofitable year for the investment industry. The near collapse of financial markets resulted in the departure of many familiar names from both Bay and Wall streets alike and spawned many more mergers as investment firms consolidated to weather the worst storm since the thirties.

These unfavourable conditions have reduced the effectiveness of the reorganization begun 3 years ago at Trans-Canada, when Maplex acquired the company. Nevertheless, our primary objective of increasing management fees was relatively successful. Fees advanced in each year from \$27,000 in 1971 to \$75,000 in 1974 and we expect to operate at an annual rate of approximately \$100,000 in the first quarter. While our effort to recruit a sales force for mutual funds in combination with life insurance has not been able to create a viable sales organization and has reluctantly been abandoned, it did succeed in writing close to \$500,000 of new cash business in 1974. The costs associated with these undertakings substantially increased operating expenses in advance of revenues.

In the light of these circumstances, your Board has carefully re-assessed the potential for this investment, given the management time and expense required to administer the company together with its funds out of a Vancouver head office and accordingly consideration is being given to either increasing the assets under administration by merger or acquisition or alternatively, selling the rights to manage the Trans-Canada group of funds.

It is worthy of note that the performance of the funds under the administration of Trans-Canada continues to be among the best in the country. The "A" fund in particular has outperformed all but two other mutual funds which specialized in gold and gold shares, as reported by the Financial Times of Canada in its comparison of Canadian mutual funds for the five year period ended December 31, 1974.

Operating results for 1974 were disappointing. Increased management fees helped to maintain income at \$110,000 but expenses rose to \$146,000 resulting in an operating loss of \$36,000 compared with \$8,000 last year. In addition a \$58,000 provision for decline in value of investments brought the total reported loss for the year to \$94,000. A total amount of \$117,000 has been provided in the accounts for decline in market value of investments for the two years 1973 and 1974, \$90,000 of which is unrealized as of this date. Any recovery in stock markets in Canada should permit a reduction in this amount and management will endeavour to eliminate this item entirely in due course.

As we progress in the current year, increased management fees accruing from the reorganization of the funds, and a renewed emphasis on cost control should permit more satisfactory operating results in 1975.

**G. C. Noble**  
MANAGING DIRECTOR



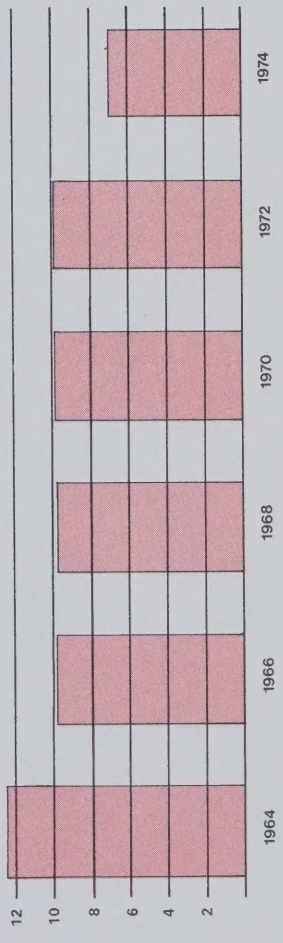
# TRANS-CANADA INVESTMENT CORPORATION LIMITED

## Ten Year Financial Summary

	1974	(Restated) *1973	1972	1971	1970	1969	1968	1967	1966	1965
Income										
Management Fees	74,841	38,413	33,634	26,590	24,221	28,059	26,081	27,309	30,025	31,066
Gain on Sale of Units	27,393	86,431	60,717	45,384	26,584	34,676	76,061	61,247	25,365	49,422
Interest and Dividends	7,549	5,050	6,591	5,599	6,128	9,223	6,119	4,656	5,909	5,389
TOTAL INCOME	109,783	129,894	100,942	77,573	56,933	71,958	108,261	93,212	61,299	85,897
Expenses	146,235	138,347	109,793	56,186	38,888	39,083	37,770	49,135	41,054	40,164
Operating Profit	(36,452)	(8,453)	(8,851)	21,387	18,045	32,875	70,491	44,077	20,245	42,910
Gain on Sale of Investments	(58,024)	59,407	54,112	(2,555)	7,297	(47)	97	(2,587)	—	2,746
Gross Profit—Before Tax	(94,476)	(67,860)	45,261	18,832	25,342	32,828	70,588	41,490	20,245	42,910
Income Tax		2,709	2,075	2,755	3,545	6,626	25,706	12,111	4,752	12,968
Net Profit—After Tax	(94,476)	(65,151)	43,186	16,077	21,797	26,202	44,882	29,379	15,493	29,942
Dividends Paid	3,662	22,888	22,888	11,444	20,599	27,426	18,270	23,535	21,600	21,600
Earned Surplus	(4,623)	93,515	172,001	151,703	147,070	145,872	156,799	130,187	124,343	130,450
Capital Stock (Common Shares)	83,954	83,954	83,954	83,954	83,954	83,954	83,454	83,454	44,750	44,750
Net Worth at Book Value	79,331	177,469	255,955	235,657	230,954	229,826	240,253	213,641	169,093	175,200

\*1973 results have been restated to reflect a change to accounting for management fees on an accrual basis instead of a cash basis.

Trans-Canada Investments  
ASSETS UNDER ADMINISTRATION





**MAPLEX** MANAGEMENT & HOLDINGS LIMITED

Room 2014, Simpson Tower, Toronto 103, Ont.